

PUBLIC REPORT OF EXAMINATION OF THE CLAIMS
PRACTICES OF THE
CRUSADER INSURANCE COMPANY
NAIC # 14010 CDI # 2935-5

AS OF SEPTEMBER 30, 2000

STATE OF CALIFORNIA



DEPARTMENT OF INSURANCE
FIELD CLAIMS BUREAU

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CALIFORNIA DEPARTMENT OF INSURANCE

Consumer Services and Market Conduct Branch
Field Claims Bureau, 11th Floor
Ronald Reagan State Office Building
300 South Spring Street
Los Angeles, CA 90013



June 14, 2002

The Honorable Harry W. Low
Insurance Commissioner
State of California
45 Fremont Street
San Francisco, California 94105

Honorable Commissioner:

Pursuant to instructions, and under the authority granted under Part 2, Chapter 1, Article 4, Sections 730, 733, 736, and Article 6.5, Section 790.04 of the California Insurance Code; and Title 10, Chapter 5, Subchapter 7.5, Section 2695.3(a) of the California Code of Regulations, an examination was made of the claims practices and procedures in California of:

Crusader Insurance Company

NAIC #14010

Hereinafter referred to as Crusader Insurance Company or as the Company.

This report is made available for public inspection and is published on the California Department of Insurance web site (www.insurance.ca.gov) pursuant to California Insurance Code section 12938.

SCOPE OF THE EXAMINATION

The examination covered the claims handling practices of the aforementioned Company during the period October 1, 1999 through September 30, 2000. The examination was made to discover, in general, if these and other operating procedures of the Company conform with the contractual obligations in the policy forms, to provisions of the California Insurance Code (CIC), the California Code of Regulations (CCR) and case law. This report contains only alleged violations of Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al.

To accomplish the foregoing, the examination included:

1. A review of the guidelines, procedures, training plans and forms adopted by the Company for use in California including any documentation maintained by the Company in support of positions or interpretations of fair claims settlement practices.
2. A review of the application of such guidelines, procedures, and forms, by means of an examination of claims files and related records.
3. A review of consumer complaints received by the California Department of Insurance (CDI) in the most recent year prior to the start of the examination.

The examination was primarily conducted at the Company's claims office in Woodland Hills, California.

The report is written in a "report by exception" format. The report does not present a comprehensive overview of the subject insurer's practices. The report contains only a summary of pertinent information about the lines of business examined and details of the non-compliant or problematic activities or results that were discovered during the course of the examination along with the insurer's proposals for correcting the deficiencies. When a violation is discovered that results in an underpayment to the claimant, the insurer corrects the underpayment and the additional amount paid is identified as a recovery in this report. All unacceptable or non-compliant activities may not have been discovered, however, and failure to identify, comment on or criticize activities does not constitute acceptance of such activities.

Any alleged violations identified in this report and any criticisms of practices have not undergone a formal administrative or judicial process.

CLAIM SAMPLE REVIEWED AND OVERVIEW OF FINDINGS

The examiners reviewed files drawn from the category of Closed Claims for the period October 1, 1999 through September 30, 2000, commonly referred to as the “review period”. The examiners reviewed 557 Crusader Insurance Company Commercial Multi-Peril insurance claim files. The examiners cited 12 claims handling violations of the Fair Claims Settlement Practices Regulations and/or California Insurance Code Section 790.03 within the scope of this report.

Crusader Insurance Company			
CATEGORY	CLAIMS FOR REVIEW PERIOD	REVIEWED	CITATIONS
Commercial Liability	698	151	0
Commercial Property	398	187	11
Commercial Auto	34	30	0
Garagekeepers/Garage	139	81	0
Products & Completed Operations	170	66	0
Loss of Income and Theft	56	35	1
Personal Injury	5	5	0
Liquor Liability	2	2	0
TOTALS	1502	557	12

TABLE OF TOTAL CITATIONS		
Citation	Description	Crusader Insurance Company
CCR§2695.3(a)	The Company failed to properly document claim files.	3
CCR§ 2695.7(g)	The Company attempted to settle a claim by making a settlement offer that was unreasonably low.	9
Total Citations		12

SUMMARY OF CRITICISMS, INSURER COMPLIANCE ACTIONS AND TOTAL RECOVERIES

The following is a brief summary of the criticisms that were developed during the course of this examination related to the violations alleged in this report. In response to each criticism, the Company is required to identify remedial or corrective action that has been or will be taken to correct the deficiency. Regardless of the remedial actions taken or proposed by the Company, it is the Company's obligation to ensure that compliance is achieved. There were no recoveries discovered within the scope of this report.

1. The Company failed to properly document claim files: In three instances, the Company's files failed to contain all documents, notes and work papers. The files contained names of sources but no documentation when sources were contacted, details regarding what items were priced at, which source was used, and if models, descriptions of items etc. were discussed. The Department alleges these acts are in violation of CCR§ 2695.3(a).

Summary of Company Response: The Company contends that each item of personal property is individually priced and sources are contacted at the time of each claim. However, the Company maintains that listing a global source is sufficient documentation to comply with CCR§ 2695.3(a).

This is an unresolved issue and may result in further administrative action.

2. The Company attempted to settle a claim by making a settlement offer that was unreasonably low: In nine instances, the Company attempted to settle a claim by making a settlement offer that was unreasonably low. In two instances, the Company failed to pay taxes on dwelling claims involving taxable materials. In seven instances, the Company settled personal property claims at Fair Market Value. The Company determined that Fair Market Value is the price the policyholder could sell the used property for and not what they could purchase or replace the used property for. The Company used quotes from used equipment dealers as to what price they would purchase used equipment for the purpose of resale. They also used the collateral value that a pawnshop would give to a patron in exchange for a similar item of personal property. The Department alleges these acts are in violation of CCR§ 2695.7(g).

Summary of Company Response: The Company acknowledges that taxes on dwelling repairs were not paid in two instances. The Company changed their methodology prior to the examination to include material sales tax in settlement of dwelling repair claims. The Company contends that Actual Cash Value and Fair Market Value equate to the price the policyholder could sell their used equipment to retailers for the purpose of resale. The Company also contends that used personal property is often sold to pawn shops and the pawn shop collateral value is equivalent to Fair Market Value. The Company contends this practice is in compliance with the

California Code of Regulations and they continue to settle personal property claims on this basis.

This is an unresolved issue and may result in further administrative action.